

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Grand Beach</b>	County <b>Berrien</b>
Audit Date <b>10/31/04</b>	Opinion Date <b>3/31/05</b>	Date Accountant Report Submitted to State: <b>4/20/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>The Don Jackson Group, PC</b>			
Street Address <b>23 N Thompson St.</b>	City <b>New Buffalo</b>	State <b>MI</b>	ZIP <b>49117</b>
Accountant Signature 		Date <b>4/20/05</b>	

**VILLAGE OF GRAND BEACH  
BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**October 31, 2004**

**Village of Grand Beach  
Grand Beach, Michigan  
October 31, 2004**

**Village Council and Officials**

**James Bracewell**

**President**

**Walter Carroll**

**President Pro Tem**

**Deborah Lindley**

**Council Member**

**John Boden, Jr.**

**Council Member**

**Robert Grim**

**Council Member**

**Mary Robertson**

**Clerk**

**Marjorie Royce**

**Deputy Clerk/Treasurer**

VILLAGE OF GRAND BEACH  
GRAND BEACH, MICHIGAN  
OCTOBER 31, 2004

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## INDEPENDENT AUDITORS' REPORT

Honorable Members of the Village Council  
Village of Grand Beach  
Berrien County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grand Beach (the "Village"), as of and for the year ended October 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Grand Beach's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Grand Beach as of October 31, 2004, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, The Village of Grand Beach has implemented a new financial reporting model, as required by Governmental Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of October 31, 2004.

The management's discussion and analysis and budgetary comparison information on pages 2 through 7 and page 28 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Grand Beach basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*The Don Jackson Group, P.C.*  
The Don Jackson Group, PC

March 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

**Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information the activities of the Village as a whole and present longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government wide financial statements.

**Financial Highlights**

The Village's combined net assets increased by 8.3% from a year ago – increasing from \$1,804,988 to \$1,955,686. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$85,057 during the year, while the business-type activities experienced an increase in net assets of \$65,641.

**Overview of the Financial Statements**

This report consists of four parts – *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and an optional section that presents *combining statements* for non-major governmental funds. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Village government, reporting the Village's operations in more detail than the government-wide statements.
  - The *governmental funds statements* tell how general government services like public safety were financed in the short-term as well as what remains for future spending.
  - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates like businesses, such as the water system.
  - *Fiduciary fund statements* provide information about the financial relationships, in which the Village acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with combining statements that provide details about our non-major governmental funds, which are added together and presented in single columns in the basis financial statements. The following table summarizes the major features of the Village's financial statements, including the portion of the Village government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview of the Financial Statements, Concluded

## Major Features of the Village of Grand Beach's Government-Wide and Fund Financial Statements

		Fund Statements	
	Government-Wide Statements	Governmental Funds	Proprietary Funds
<b>Scope</b>	Entire Village government (except fiduciary funds)	The activities of the Village that are not proprietary or fiduciary, such as general, building and capital projects and street funds.	Activities the Village operates similar to private businesses: The water fund.
<b>Required Financial Statements</b>	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of net assets</li> <li>Statement of revenues, expenditures, and changes in fund balances.</li> <li>Statement of cash flows</li> </ul>
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus.	Modifies accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
<b>Type of asset/liability information</b>	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
<b>Type of inflow/outflow information.</b>	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon after.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-wide Statements

The government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The two government-wide statements report the Village's net assets and how they have changed. Net assets are the difference between the Village's assets and liabilities, which is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village you need to consider additional nonfinancial factors such as changes in the Village's property tax base and condition of the Village's infrastructure.

The government-wide financial statements of the Village are divided into two categories:

- **Governmental activities** – Most of the Village's basic services are included here, such as general government, public safety, public works and recreation and culture.
- **Business-type activities** – The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's water system and Golf Course are included here.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Village's most significant funds – not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law.
- The Village Council establishes other funds to control and manage money for a particular purpose (i.e. Building or Capital Projects) or to show that it is properly using certain taxes and grants (major and local streets).

The Village has the following two kinds of funds:

- **Government Funds** – Most of the Village's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- **Proprietary Funds** – Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Village's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.



MANAGEMENT'S DISCUSSION AND ANALYSIS

**Financial Analysis of the Village as a Whole**

The Village's combined net assets were \$1,955,686. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total
Current Assets	\$ 1,025,325	\$ 278,764	\$ 1,304,089
Capital Assets	381,563	1,228,483	1,610,046
<b>Total assets</b>	<b>\$ 1,406,888</b>	<b>\$ 1,507,247</b>	<b>\$ 2,914,135</b>
 <b>Total Liabilities</b>	 <b>\$ 14,550</b>	 <b>\$ 943,899</b>	 <b>\$ 958,449</b>
 Net Assets			
Invested in capital assets	\$ 381,563	\$ 335,483	\$ 717,046
Restricted assets	214,981	-	214,981
Restricted for Public Works	86,435	-	86,435
Unrestricted assets	709,359	227,865	937,224
<b>Total Net Assets</b>	<b>\$ 1,392,338</b>	<b>\$ 563,348</b>	<b>\$ 1,955,686</b>

Unrestricted net assets – the part of net assets that can be used to finance day to day operations, increased by \$89,151 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$143,112, or about 20.8% of expenditures. This is below the ideal level identified during the budget process.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	Total
<b>Program Revenues</b>			
Charges for services	\$ 121,436	\$ 463,208	\$ 584,644
Operating Grants and Contributions	55,930	-	55,930
<b>General Revenues</b>			
Property Taxes	530,226	-	530,226
State Shared Revenues	17,301	-	17,301
Interest and Rentals	53,292	3,253	56,545
Sale of assets	10,150	-	10,150
Transfers	(20,000)	20,000	-
Miscellaneous	26,569	-	26,569
<b>Total Revenues</b>	<b>\$ 794,904</b>	<b>\$ 486,461</b>	<b>\$ 1,281,365</b>
<b>Program Expenses</b>			
General Government	\$ 283,780	\$ -	\$ 283,780
Public Safety	215,785	-	215,785
Public Works	171,261	-	171,261
Recreation and Culture	18,081	-	18,081
Golf	-	212,688	212,688
Water	-	208,133	208,133
<b>Total expenses</b>	<b>\$ 688,907</b>	<b>\$ 420,821</b>	<b>\$ 1,109,728</b>
<b>Change in Net Assets</b>	<b>\$ 105,997</b>	<b>\$ 65,640</b>	<b>\$ 171,637</b>

**Governmental Activities**

The Village's total governmental revenues increased by \$91,166. This is the result of property tax revenue increasing by \$39,689, repayment of legal and other fees from a zoning request and an increase in building permits.

**Business-Type Activities**

The Village's business-type activities consist of the Water Fund and the Golf Fund. We provide water, purchased from the Village of Michiana to the Village residents. During 2004, operating revenues increased by \$16,772 and expenditures increased by \$23,484. The increase in revenues and expenditures is a result of increased water usage directly related to continued building in the Village and the related an increase water purchases.

**The Village's Funds**

Our analysis of the Village's major funds begins following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as state revenue funds for streets. The Village's major fund for 2004 included the General Fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The General Fund pays for most of the Village's governmental services, including legislative, police and other. The most significant is police, which incurred expenses of approximately \$185,572 in 2004. The service is supported by general revenue sources of the General Fund.

**Capital Asset Administration**

At the end of June 30, 2004, the Village had investment in capital assets for its governmental and business-type activities of \$1,610,046 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, and water lines. In addition, the Village has invested significantly in roads within the Village. The Village has chosen to not retroactively report any other infrastructure assets at October 31, 2004 and will only report any additions prospectively in accordance with G.A.S.B. #34.

**Long-Term Debt**

As the end of the current fiscal year, the Village had total debt outstanding of \$893,000. The debt was used to finance the water distribution system in the Village.

**Economic Factors and Next Year's Budgets and Rates**

The Village anticipates revenues over expenditures in the governmental and business-type activity funds. The Village has embarked on a major renovation of the Village Hall and Pro shop at an estimated cost of \$200,000.

**Comparative Information**

The financials report does not show any comparative data because the current year was the first year of adopting G.A.S.B. 34 reporting. Next year the Village expects to present full comparative statements.

**Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

VILLAGE OF GRAND BEACH

GOVERNMENT-WIDE STATEMENT OF NET ASSETS

October 31, 2004

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents	\$ 938,574	\$ 151,548	\$ 1,090,122
Certificates of Deposit	-	86,010	86,010
Receivables, Net	54,220	40,539	94,759
Inventory	1,240	-	1,240
Internal Balances	13,598	667	14,265
Due from Other Governments	10,997	-	10,997
Prepaid Expenses	6,696	-	6,696
Capital Assets, Net	381,563	1,228,483	1,610,046
<b>Total Assets</b>	<b>\$ 1,406,888</b>	<b>\$ 1,507,247</b>	<b>\$ 2,914,135</b>
<b>Liabilities</b>			
Accounts Payable	\$ 10,964	\$ 36,383	\$ 47,347
Accrued and Other Liabilities	-	3,837	3,837
Internal Balances	3,586	10,679	14,265
Noncurrent Liabilities			-
Due Within One Year	-	41,000	41,000
Due in More than One Year	-	852,000	852,000
<b>Total Liabilities</b>	<b>\$ 14,550</b>	<b>\$ 943,899</b>	<b>\$ 958,449</b>
<b>Net Assets</b>			
Invested in Capital Assets	\$ 381,563	\$ 335,483	\$ 717,046
Restricted for Capital expenditures	214,981	-	214,981
Restricted for Public Works	86,435	-	86,435
Unrestricted	709,359	227,865	937,224
<b>Total Net Assets</b>	<b>\$ 1,392,338</b>	<b>\$ 563,348</b>	<b>\$ 1,955,686</b>

VILLAGE OF GRAND BEACH

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
October 31, 2004

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary Government</b>						
<i>Government Activities</i>						
General Government	\$ 283,780	\$ 121,436	\$ -	\$ (162,344)		\$ (162,344)
Public Safety	215,785	-	-	(215,785)		(215,785)
Public Works	171,261	-	55,930	(115,331)		(115,331)
Recreation and Culture	18,081	-	-	(18,081)		(18,081)
Total Governmental Activities	<u>\$ 688,907</u>	<u>\$ 121,436</u>	<u>\$ 55,930</u>	<u>\$ (511,541)</u>		<u>\$ (511,541)</u>
<i>Business-Type Activities</i>						
Golf Fund	\$ 212,688	\$ 197,898	\$ -		\$ (14,790)	\$ (14,790)
Water Fund	208,133	265,310	-		57,177	57,177
Total Business-Type Activities	<u>\$ 420,821</u>	<u>\$ 463,208</u>	<u>\$ -</u>		<u>\$ 42,387</u>	<u>\$ 42,387</u>
Total Government	<u>\$ 897,040</u>	<u>\$ 386,746</u>	<u>\$ 55,930</u>	<u>\$ (511,541)</u>	<u>\$ 42,387</u>	<u>\$ (469,154)</u>
<b>General Revenues</b>						
Property Taxes				\$ 530,226	\$ -	\$ 530,226
State Shared Revenues				17,301	-	17,301
Interest and Rentals				53,292	3,253	56,545
Gain(loss) on sale of assets				10,150	-	10,150
Transfers				(20,000)	20,000	-
Miscellaneous				26,569	-	26,569
Total General Revenues				<u>\$ 617,538</u>	<u>\$ 23,253</u>	<u>\$ 640,791</u>
Change in net assets				\$ 105,997	\$ 65,640	\$ 171,637
Net Assets- Beginning				1,286,341	497,708	1,784,049
Net Assets Ending				<u>\$ 1,392,338</u>	<u>\$ 563,348</u>	<u>\$ 1,955,686</u>

**VILLAGE OF GRAND BEACH**

**GOVERNMENTAL FUND BALANCE SHEET**

**October 31, 2004**

	General	Non-Major Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 447,669	\$ 275,923	\$ 723,592
Cash and cash equivalents, restricted	-	214,981	214,981
Receivables	16,706	-	16,706
Taxes receivable	37,514	-	37,514
Due from other funds	13,598	-	13,598
Due from other governments	2,615	8,382	10,997
Inventory, at cost	1,240	-	1,240
Prepaid expense	6,696	-	6,696
Total assets	<u>\$ 526,038</u>	<u>\$ 499,286</u>	<u>\$ 1,025,324</u>

**LIABILITIES AND FUND BALANCES**

<b>Liabilities</b>			
Accounts payable	\$ 10,361	\$ 603	\$ 10,964
Due to other funds	667	2,919	3,586
Accrued wages and taxes	-	-	-
Total liabilities	<u>\$ 11,028</u>	<u>\$ 3,522</u>	<u>\$ 14,550</u>
<b>Fund balances:</b>			
Reserved			
Reserved for inventory	1,240	-	1,240
Reserved for capital outlay	-	214,981	214,981
Reserved for prepaids	6,696	-	6,696
Reserved for street maintenance	-	86,434	86,434
Unreserved	<u>507,075</u>	<u>194,348</u>	<u>701,423</u>
Total fund balances	<u>515,011</u>	<u>495,763</u>	1,010,774
Total liabilities and fund balances	<u>\$ 526,039</u>	<u>\$ 499,285</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

\* Capital assets used in governmental activities are not financial resources and are not reported in the funds

381,563

Net assets of Governmental Activities

\$ 1,392,337

**GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
October 31, 2004**

	General	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Property taxes	\$ 528,660	\$ -	\$ 528,660
State-shared revenues	17,301	55,930	73,231
Interest and penalties	2,469	3,309	5,778
Costs and fines	547	-	547
Licenses and permits	-	119,920	119,920
Miscellaneous fees	1,400	-	1,400
Rents and royalties	26,050	-	26,050
Equipment rent	23,030	-	23,030
Donations	-	-	-
Miscellaneous revenues	26,139	-	26,139
Total revenues	<u>\$ 625,596</u>	<u>\$ 179,159</u>	<u>\$ 804,755</u>
<b>Expenditures:</b>			
Council	\$ 179,572	\$ -	\$ 179,572
Elections	870	-	870
Office	39,346	-	39,346
Hall and Grounds	16,617	-	16,617
Maintenance Garage	30,406	-	30,406
Building inspection	-	59,061	59,061
Police	185,572	-	185,572
Fire	-	-	-
Public Works	41,213	49,709	90,922
Sanitation	28,932	-	28,932
Parks and recreation	5,532	-	5,532
Beaches	8,073	-	8,073
Capital outlay	21,496	76,842	98,338
Total expenditures	<u>\$ 557,629</u>	<u>\$ 185,612</u>	<u>\$ 743,241</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>\$ 67,967</u>	<u>\$ (6,453)</u>	<u>61,514</u>
<b>Other financing sources (uses):</b>			
Operating transfers-in	\$ -	\$ 128,691	\$ 128,691
Operating transfers-out	(143,770)	(4,921)	(148,691)
Sale of fixed assets	-	10,150	10,150
Total other financing sources (uses)	<u>\$ (143,770)</u>	<u>\$ 123,770</u>	<u>\$ (9,850)</u>
<b>Excess (deficiency) of Revenue and Other Sources Over Expenditures and Other Uses</b>	<u>\$ (75,803)</u>	<u>\$ 117,317</u>	<u>\$ 51,664</u>
Fund balances, beginning of year	590,811	368,297	
Fund balances, end of year	<u><u>\$ 515,008</u></u>	<u><u>\$ 485,614</u></u>	

Amounts reported for governmental activities in the statement of activities are different because:

- \* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

54,332

Change in Net Assets of Governmental Activities

\$ 105,996

## PROPRIETARY FUND STATEMENT OF NET ASSETS

October 31, 2004

	Water Fund	Golf Fund	Total Proprietary Funds
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 205,275	\$ 32,283	\$ 237,558
Accounts receivables	40,539	-	40,539
Accrued interest receivable	-	-	-
Due from other funds	667	-	667
Due from State	-	-	-
Inventory, at cost	-	-	-
Prepaid expenses	-	-	-
Total current assets	\$ 246,481	\$ 32,283	\$ 278,764
Noncurrent assets:			
Capital assets	1,073,493	154,990	1,228,483
Total assets	\$ 1,319,974	\$ 187,273	\$ 1,507,247
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	10,936	25,447	36,383
Accrued interest payable	3,837	-	3,837
Due to other funds	5,919	4,760	10,679
Current portions of noncurrent liabilities	41,000	-	41,000
Total current liabilities	\$ 61,692	\$ 30,207	\$ 91,899
Noncurrent liabilities			
Bonds payable	\$ 852,000	\$ -	\$ 852,000
Total liabilities	\$ 913,692	\$ 30,207	\$ 943,899
<b>NET ASSETS</b>			
Invested in capital assets - net of related debt	\$ 180,493	\$ 154,990	\$ 335,483
Restricted for capital improvements	-	-	-
Restricted for bond retirement	86,010	-	86,010
Unrestricted	139,778	2,075	141,853
Total net assets	\$ 406,281	\$ 157,065	\$ 563,346



**VILLAGE OF GRAND BEACH**
**PROPRIETARY FUND STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**
**October 31, 2004**

	Water Fund	Golf Fund	Total Proprietary Funds
<b>Operating Revenues:</b>			
Charges for services	\$ 258,310	\$ -	\$ 258,310
Service connections	15,000	-	15,000
Golf and cart fees	-	158,121	158,121
Concession revenue	-	39,777	39,777
Total operating revenues	273,310	197,898	471,208
Cost of goods sold	73,592	17,913	91,505
Gross Operating Margin	\$ 199,718	\$ 179,985	\$ 379,703
<b>Operating expenses</b>			
Salaries and wages	\$ 27,387	\$ 101,129	\$ 128,516
Payroll taxes	1,870	2,937	4,807
Hospital	7,890	995	8,885
Retirement benefits	1,697	432	2,129
Workers' compensation	469	506	975
Supplies	1,079	5,434	6,513
Management fees	-	18,900	18,900
Professional services	1,798	1,196	2,994
Telephone	-	1,324	1,324
Insurance and bonds	1,871	8,508	10,379
Utilities	2,828	1,657	4,485
Depreciation	41,515	13,468	54,983
Seed and fertilizor	-	14,123	14,123
Repairs and maintenance	14,993	18,238	33,231
Equipment rentals	7,262	381	7,643
Building rentals	-	1,800	1,800
Miscellaneous expenses	719	3,748	4,467
Total operating expenses	\$ 111,378	\$ 194,776	\$ 306,154
Operating income	\$ 88,340	\$ (14,791)	\$ 73,549
<b>Nonoperating Revenues (Expenses)</b>			
Interest expenses	\$ (31,164)	\$ -	\$ (31,164)
Interest income	3,074	180	3,254
Total Nonoperating Revenues(Expenses)	\$ (28,090)	\$ 180	\$ (27,910)
Income Before Contributions and Transfers In (Out)	\$ 60,250	\$ (14,611)	\$ 45,639
Capital Contributions	-	-	-
Transfers In (Out)	-	20,000	20,000
Change in Net Assets	\$ 60,250	\$ 5,389	\$ 65,639
Net assets, beginning of year	346,031	151,676	497,707
Net assets, end of year	\$ 406,281	\$ 157,065	\$ 563,346

	Water Fund	Golf Fund	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from Customers	\$ 258,278	\$ 197,898	\$ 271,974
Payments to Suppliers	(99,196)	(80,456)	(204,282)
Payments to Employees and benefits	(38,844)	(105,493)	(64,560)
Internal Activity - Payments to/from Other Funds	2,501	13,651	(32,347)
Other Receipts (Payments)		-	
Net Cash Provided (Used) by Operating Activities	<u>\$ 122,739</u>	<u>\$ 25,600</u>	<u>\$ (29,215)</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Operating Subsidies and Transfers to Other Funds			
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchase of Capital Assets	\$ (32,765)	\$ (47,669)	\$ (80,434)
Principal paid on Capital Debt	(40,000)		
Interest paid on Capital Debt	<u>(31,384)</u>	<u>\$ (47,669)</u>	<u>\$ -</u>
Net Cash Provided(Used) by Capital and Related Financing Activities	<u>\$ (104,149)</u>	<u>\$ (95,338)</u>	<u>\$ (80,434)</u>
<b>Cash Flow From Investing Activities</b>			
Interest and Dividends	<u>\$ 3,074</u>	<u>\$ 180</u>	<u>\$ 8,046</u>
Net Increase in Cash and Cash Equivalents	\$ 21,664	\$ (21,889)	\$ (21,169)
Cash and Cash Equivalents-Beginning	<u>183,611</u>	<u>54,172</u>	<u>512,045</u>
Cash and Cash Equivalents-Ending	<u><u>\$ 205,275</u></u>	<u><u>\$ 32,283</u></u>	<u><u>\$ 490,876</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 88,340	\$ (14,791)	\$ (6,773)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	41,515	13,468	24,481
Transfers From (To) Other Funds	-	20,000	(34,081)
Change in Assets and Liabilities			
Receivables, net	(15,032)	-	(2,364)
Due from other governmental funds	-	-	-
Accounts Payable	5,415	13,272	(12,212)
Due to other governmental funds	<u>2,501</u>	<u>(6,349)</u>	<u>1,734</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 122,739</u></u>	<u><u>\$ 25,600</u></u>	<u><u>\$ (29,215)</u></u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Village of Grand Beach (the "Village") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village.

**A. Reporting Entity**

The Village of Grand Beach is a chartered village located within the boundaries of New Buffalo Township. The Village operates under a Council-Administrator form of government and provides the following services: public safety (police), highways and streets, water utility, recreation, public improvement, planning and zoning and general administration services.

For financial statement purposes, the Village includes all funds and account groups that are controlled by or dependent on the Village, as determined on the basis of budget adoption, management oversight responsibility, taxing authority, or the Village's obligation to fund any deficits.

**B. Government-Wide and Fund Financial Statements**

The Government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO THE FINANCIAL STATEMENTS  
October 31, 2004

Note 1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation.**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Property Taxes** – The Village's property taxes attach as an enforceable lien on July 1<sup>st</sup>, on the taxable valuation of property (as defined by State statutes) located in the Village and payable on September 15. The Village's 2004 ad valorem tax is levied and collectible on July 1<sup>st</sup>, 2004 and it is recognized as revenue in the current year when the process of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Village totaled 73.73 million, on which ad valorem taxes levied which consisted of 7.0955 mills for the Village's operating purposes. These amounts are recognized in the General Fund financial statements as taxes receivable – current or as tax revenue.

**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, Concluded.**

The Village reports the following major governmental funds.

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The Water Fund accounts for the activities of the water distribution system.  
The Golf Fund accounts for the activities of the golf course and pro shop.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and building function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water fund also recognized the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

NOTES TO THE FINANCIAL STATEMENTS

October 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

D. Assets, Liabilities, and Net Assets or Equity.

Bank Deposits and Investments -- Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables -- In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on September 15, at which time penalties and interest are assessed.

Inventories and Prepaid Items -- Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets -- Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Village has chosen not to retroactively report any other infrastructure assets at October 31, 2003 and will only report any additions prospectively in accordance with G.A.S.B. #34.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there were no assets under construction and no interest expense to capitalize.

NOTES TO THE FINANCIAL STATEMENTS  
October 31, 2004

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED.

**D. Assets, Liabilities, and Net Assets or Equity, Concluded.**

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave) – It is the policy of the Village to allow an employee to accumulate up to 30 sick days. There is no pay or compensation for unused sick days upon an employee's retirement, resignation or termination. Vacation days are earned as of the anniversary of the employee's full-time hire date and must be used within 24 months of that date. No compensation is given if the vacation time is not taken within that time period. The Village has recorded no accrual at October 31, 2004 for compensated absences and believes the amounts would be immaterial.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates – The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED.**

**E. Accounting Change**

Effective November 1, 2003, the Village implemented the provision of Governmental Accounting Standards Board Statement No. 34, Basis Financial Statements – and Management's Discussion and Analysis – for State and Local Governments ("GASB 34"). Changes to the Village's financial statements as a result of GASB 34 are as follows:

A Management's Discussion and Analysis ("MD&A") section providing analysis of the Village's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Village's activities have been provided.

**Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY.**

**BUDGETS AND BUDGETARY ACCOUNTING:**

The Village performs the following procedures in establishing the budgetary data reflected in the general purpose financial statements:

1. Prior to the annual meeting the Village Clerk submits to the Village Council a proposed operating budget for the fiscal year commencing November 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at the Village Hall to obtain taxpayer comments.
3. The budget is formally adopted by the regular Council meeting in June.
4. Transfers or amendments to the budget may only be approved by the Council.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all the funds are adopted on a basis consistent with generally accepted accounting principles.

The budge document presents information by fund, function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Village to have its budget in place by November 1<sup>st</sup>. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended.



**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED.**

**BUDGETS AND BUDGETARY ACCOUNTING, CONCLUDED:**

State law permits Villages to amend its budgets during the year. There were three amendments made during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Major Budgeted Funds – During the year, the Village did not incur expenditures in budgeted funds which were in excess of the amounts appropriated.

Fund Deficits – The Village has no accumulated fund balance/retained earning deficits in their reported funds.

**Note 3. DEPOSIT AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of the United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Council has designated two banks for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CD's. but not the remainder of State statutory authority as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 3. DEPOSIT AND INVESTMENTS, CONCLUDED**

At October 31, 2004, the Village's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents	\$ 938,574	\$ 151,548	\$ 1,090,122
Certificates of deposits	-	86,010	86,010
Total	<u>\$ 938,574</u>	<u>\$ 237,558</u>	<u>\$ 1,176,132</u>

The bank balance of the primary government's deposits is \$1,189,029, of which \$318,293 is covered by federal depositary insurance.

**Restricted Cash:**

The Water Fund reports restricted assets for cash deposited in bank accounts in accordance the bond ordinances used to finance the Water Distribution System. As of October 31, 2004 the balance in restricted cash accounts was \$86,010.

**Note 4. RECEIVABLES**

Receivables as of year end for the Village's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Business - Type Activities	Non-Major Funds	Total
Accounts receivable	\$ 56,835	\$ 45,539	\$ -	\$102,374
Intergovernmental	2,615	667	8,382	11,664
Less: Allowance	-	(5,000)	-	(5,000)
Net receivables	<u>\$ 59,450</u>	<u>\$ 41,206</u>	<u>\$ 8,382</u>	<u>\$109,038</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 5. CAPITAL ASSETS**

Capital asset activity of the Village for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><i>Governmental Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 169,788	\$ -	\$ -	\$ 169,788
Capital assets being depreciated				
Building and improvements	\$ 271,226	\$ -	\$ -	\$ 271,226
Equipment	477,666	98,338	(10,150)	565,854
Subtotal	\$ 748,892	\$ 98,338	\$ (10,150)	\$ 837,080
Less: Accumulated Depreciation	(581,299)	(44,006)	-	(625,305)
Net Capital Assets Being Depreciated	\$ 167,593	\$ 54,332	\$ (10,150)	\$ 211,775
<b>Governmental activities capital total capital assets-net of depreciation</b>	<u>\$ 337,381</u>	<u>\$ 54,332</u>	<u>\$ (10,150)</u>	<u>\$ 381,563</u>

Depreciation expense was charged to programs of the primary government as follows:

## Governmental Activities:

General Governments                      \$44,006

**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 5. CAPITAL ASSETS, CONCLUDED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b><i>Business-Type Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 28,340	\$ -	\$ -	\$ 28,340
Capital assets being depreciated				
Building and improvements	\$ 184,611	\$ -	\$ -	\$ 184,611
Infrastructure	1,449,715	41,426	-	1,491,141
Equipment	234,771	39,010	-	273,781
Subtotal	\$ 1,869,097	\$ 80,436	\$ -	\$ 1,949,533
Less: Accumulated Depreciation	(694,407)	(54,983)	-	(749,390)
Net Capital Assets Being Depreciated	\$ 1,174,690	\$ 25,453	\$ -	\$ 1,200,143
<b>Business-Type activities capital total capital assets-net of depreciation</b>	<b><u>\$ 1,203,030</u></b>	<b><u>\$ 25,453</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,228,483</u></b>

Depreciation was charged to programs for the business-type activities as follows:

Water	\$41,515
Golf	\$13,468

NOTES TO THE FINANCIAL STATEMENTS  
October 31, 2004

**Note 6. LONG-TERM DEBT**

Long-term debt consisted of the following at October 31, 2004:

<u>Fund</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total Requirements</u>
Water Fund:					
Revenue Bonds dated July 12, 1983, with annual principal payments increasing from \$1,000 to \$24,000 and semi-annual interest payments	2023	5%	\$ 11,000	\$ 293,000	\$ 304,000
Revenue Bonds dated September 20, 1999, with annual principal payments increasing from \$30,000 to \$45,000 and semi-annual interest payments	2019	2.5%	<u>30,000</u>	<u>559,000</u>	<u>589,000</u>
			<u>\$ 41,000</u>	<u>\$ 852,000</u>	<u>\$ 893,000</u>

Current maturities of bonds payable for each of the next five years is as follows:

<u>Year Ending</u>	<u>Revenue Bond</u>	<u>Revenue Bond</u>	<u>Total</u>
2005	\$ 11,000	\$ 30,000	\$ 41,000
2006	11,000	30,000	41,000
2007	12,000	35,000	47,000
2008	12,000	35,000	47,000
2009	13,000	35,000	48,000
2010-2023	<u>245,000</u>	<u>424,000</u>	<u>669,000</u>
	<u>\$ 304,000</u>	<u>\$ 589,000</u>	<u>\$ 893,000</u>

NOTES TO THE FINANCIAL STATEMENTS  
October 31, 2004

**Note 7. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

**Interfund receivables and payables**

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payable</u>
General	\$ 13,598	Water	\$ 5,919
Local Street	-	Golf	4,760
Major Street	-	Building	1,667
Water	667	General fund	667
		Local Street	698
		Major Street	554
Total	<u>\$ 14,265</u>	Total	<u>\$ 14,265</u>

**Interfund transfers**

<u>Fund</u>	<u>Transfer IN</u>	<u>Fund</u>	<u>Transfers Out</u>
Capital projects	\$ 123,770	General	\$ 143,770
Local Street	4,921	Major Street	4,921
Golf	20,000		-
Total	<u>\$ 148,691</u>	Total	<u>\$ 148,691</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**October 31, 2004**

**Note 8. RISK MANAGEMENT**

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

## **REQUIRED SUPPLEMENTAL INFORMATION**



**VILLAGE OF GRAND BEACH**
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**
**October 31, 2004**

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Beginning of Year Fund Balance	\$ 590,811	\$ 590,811	\$ 590,811	
<b>Resources (Inflows)</b>				
Property taxes	492,274	492,274	528,660	36,386
State-shared revenues	17,000	17,000	17,301	301
Interest and penalties	7,000	7,000	2,469	(4,531)
Costs and fines	400	400	547	147
Miscellaneous fees	600	600	1,400	800
Rents and royalties	25,300	25,300	26,050	750
Equipment rent	13,500	13,500	23,030	9,530
Miscellaneous revenues	3,150	3,150	26,139	22,989
Amounts Available for Appropriation	<u>\$ 1,150,035</u>	<u>\$1,150,035</u>	<u>\$ 1,216,407</u>	
<b>Charges to Appropriations (Outflows)</b>				
General Government				
Council	182,168	187,443	179,572	(7,871)
Elections	1,500	900	870	(30)
Office	51,400	43,050	39,346	(3,704)
Hall and grounds	20,000	18,900	16,617	(2,283)
Maintenance garage	20,000	34,600	30,406	
Public Safety				
Police	186,800	187,800	185,572	(2,228)
Public Works				
Public Works	34,802	42,302	41,213	(1,089)
Sanitation	30,000	29,000	28,932	(68)
Recreation and Culture				
Parks and recreation	4,750	4,750	5,532	782
Beaches	11,850	8,700	8,073	(627)
Capital outlay	45,100	22,100	21,496	(604)
Transfers Out (In)	120,770	143,770	143,770	-
Total Charges to Appropriations	<u>\$ 709,140</u>	<u>\$ 723,315</u>	<u>\$ 701,399</u>	
Budgetary Fund Balance - End of year	<u>\$ 440,895</u>	<u>\$ 426,720</u>	<u>\$ 515,008</u>	

## **OTHER SUPPLEMENTAL INFORMATION**

**VILLAGE OF GRAND BEACH**
**COMBINING BALANCE SHEET NON-MAJOR GOVERNMENTAL FUNDS**
**October 31, 2004**

	<u>Streets</u>	<u>Building Inspector Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 79,908	\$ 196,015	\$ -	\$ 275,923
Cash and cash equivalents, restricted	-	-	214,981	214,981
Receivables	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	8,382	-	-	8,382
Prepaid expense	-	-	-	-
Total assets	<u>\$ 88,290</u>	<u>\$ 196,015</u>	<u>\$ 214,981</u>	<u>\$ 499,286</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 603	\$ -	\$ -	\$ 603
Due to other funds	1,252	1,667	-	2,919
Accrued wages and taxes	-	-	-	-
Total liabilities	<u>\$ 1,855</u>	<u>\$ 1,667</u>	<u>\$ -</u>	<u>\$ 3,522</u>
Fund balances:				
Reserved				
Reserved for capital outlay	\$ -	\$ -	\$ 214,981	\$ 214,981
Reserved for prepaids	-	-	-	-
Reserved for street maintenance	86,434	-	-	86,434
Unreserved	-	194,348	-	194,348
Total fund balances	<u>86,434</u>	<u>194,348</u>	<u>214,981</u>	<u>495,763</u>
Total liabilities and fund balances	<u>\$ 88,289</u>	<u>\$ 196,015</u>	<u>\$ 214,981</u>	<u>\$ 499,285</u>

**VILLAGE OF GRAND BEACH**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**October 31, 2004**

	<u>Streets</u>	<u>Building Inspector Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
State-shared revenues	\$ 55,930	\$ -	\$ -	\$ 55,930
Interest and penalties	422	1,322	1,565	3,309
Licenses and permits	-	119,920	-	119,920
Donations	-	-	-	-
Sale of fixed assets	-	-	10,150	-
Miscellaneous revenues	-	-	-	-
Total revenues	<u>\$ 56,352</u>	<u>\$ 121,242</u>	<u>\$ 11,715</u>	<u>\$ 179,159</u>
<b>Expenditures:</b>				
Office	\$ -	\$ -	\$ -	\$ -
Building inspection	-	59,061	-	59,061
Public Works	49,709	-	-	49,709
Capital outlay	-	-	76,842	76,842
Total expenditures	<u>\$ 49,709</u>	<u>\$ 59,061</u>	<u>\$ 76,842</u>	<u>\$ 185,612</u>
Excess (deficiency) of Revenues over expenditures	<u>\$ 6,643</u>	<u>\$ 62,181</u>	<u>\$ (65,127)</u>	<u>\$ (6,453)</u>
<b>Other financing sources (uses):</b>				
Operating transfers-in	\$ 4,921	\$ -	\$ 123,770	\$ 128,691
Operating transfers-out	(4,921)	-	-	(4,921)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,770</u>	<u>\$ 123,770</u>
Excess (deficiency) of Revenue and Other Sources Over (Under) Expenditures and Other Uses	\$ 6,643	\$ 62,181	\$ 58,643	\$ 127,467
Fund balances, beginning of year	<u>79,792</u>	<u>132,167</u>	<u>156,338</u>	<u>368,297</u>
Fund balances, end of year	<u><u>\$ 86,435</u></u>	<u><u>\$ 194,348</u></u>	<u><u>\$ 214,981</u></u>	<u><u>\$ 495,764</u></u>

October 31, 2004

	Major Street Fund	Local Street Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 22,483	57,425	\$ 79,908
Due from other funds	-	-	-
Due from other governments	4,543	3,839	8,382
Total assets	<u>\$ 27,026</u>	<u>\$ 61,264</u>	<u>\$ 88,290</u>
<b>LIABILITIES AND FUND EQUITY</b>			
Liabilities			
Current liabilities			
Accounts payable	\$ 362	241	\$ 603
Due to other funds	554	698	1,252
Total liabilities	<u>\$ 916</u>	<u>\$ 939</u>	<u>\$ 1,855</u>
Fund equity:			
Reserved for street maintenance	26,110	60,325	86,435
Total liabilities and fund equity	<u>\$ 27,026</u>	<u>\$ 61,264</u>	<u>\$ 88,290</u>

**VILLAGE OF GRAND BEACH**
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**
**STREET FUNDS**
**October 31, 2004**

	Major Streets	Local Streets	Total
<b>Revenues:</b>			
State-shared revenues	\$ 31,869	24,061	\$ 55,930
Interest and penalties	97	325	422
Total revenues	<u>\$ 31,966</u>	<u>\$ 24,386</u>	<u>\$ 56,352</u>
<b>Expenditures:</b>			
Road maintenance:			
Wages	\$ 6,587	3,408	\$ 9,995
Fringe benefits	4,821	3,191	8,012
Supplies	881	641	1,522
Equipment rental	4,854	4,068	8,922
Routine maintenance	2,070	862	2,932
	<u>\$ 19,213</u>	<u>\$ 12,170</u>	<u>\$ 31,383</u>
Winter maintenance:			
Wages	2,086	2,059	\$ 4,145
Fringe benefits	\$ 1,018	1,027	2,045
Supplies	1,639	1,093	2,732
Equipment rental	3,670	3,175	6,845
	<u>\$ 8,413</u>	<u>\$ 7,354</u>	<u>\$ 15,767</u>
Road maintenance administration:			
Other administrative costs	\$ 1,321	1,238	\$ 2,559
Total Expenditures	<u>28,947</u>	<u>20,762</u>	<u>49,709</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 3,019</u>	<u>3,624</u>	<u>6,643</u>
<b>Other financing sources (uses):</b>			
Operating transfers-in	\$ -	4,921	\$ 4,921
Operating transfers-out	(4,921)	-	(4,921)
Total other financing sources (uses)	<u>\$ (4,921)</u>	<u>\$ 4,921</u>	<u>\$ -</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>\$ (1,902)</u>	<u>\$ 8,545</u>	<u>\$ 6,643</u>
Fund balances, beginning of year	<u>28,012</u>	<u>51,780</u>	<u>79,792</u>
Fund balances, end of year	<u><u>\$ 26,110</u></u>	<u><u>\$ 60,325</u></u>	<u><u>\$ 86,435</u></u>



Honorable Members of the Council  
Village of Grand Beach  
Berrien County, Michigan

In planning and performing our audit of the general purpose financial statements of the Village of Grand Beach for the year ended October 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

**Reportable conditions:**

***Accounts receivable***

***Segregation of duties***

As is typical of government of this size, true segregation of duties is not practical. Great care should be followed in all internal control procedures to insure against fraud and misappropriations.

***Adoption of Capitalization Policy***

With the Village's adoption of G.A.S.B. 34 requirements, it is necessary for Village assets in all funds to be properly tracked, recorded, and depreciated in accordance with prescribed accounting policies.

We recommend the Village adopt a capitalization policy, through a resolution, for assets that have a life expectancy greater than one year and a value over a certain dollar limit (e.g. \$5,000) to be capitalized for proper financial recording. The policy should also adopt how long each asset will be depreciated and any salvage value it may have.



**Other comments and recommendations:**

***Comments:***

- The books and records were found to be complete and available for audit.
- The staff provided full cooperation and assistance during the audit.

This report is intended solely for the information and use of the Village of Grand Beach Council, management, and others within the administration and is not intended to be and should not be used by anyone other than these specified parties. However, a report issued in connection with an audit of a local government is a matter of public record.

*The Don Jackson Group, P.C.*

The Don Jackson Group, PC

March 31, 2005